Future Fiber Network, LLC Risk Management Policy

Document history

Version	Update	By	Comment
1.0	Initial draft	Darshan Patel	Approved 12th December 2024
2.0			

1. Introduction

This document defines the Risk Management Policy for Future Fiber Networks, LLC, and its subsidiaries. It establishes the organization's Risk Management Framework, which includes the Risk Architecture (roles and responsibilities), Risk Strategy (appetite, attitude, and philosophy), and the Risk Management Process and Protocols that the company will follow to ensure the identification, analysis, evaluation, mitigation, and monitoring of risk.

Risk Management Framework

Risk architecture

- Risk architecture specifies the roles, responsibilities, communication and risk reporting structure

Risk strategy

- Risk strategy, appetite, attitudes and philosophy are defined in the Risk Management Policy

Risk management process

Risk protocols

- Risk protocols are presented in the form of the risk guidelines for the organisation and include the rules and procedures, as well as specifying the risk management methodologies, tools and techniques that should be used

2. Risk Architecture

2.1 Future Fiber Networks Board

The role of the Future Fiber Networks Board focuses on risk oversight of management and corporate issues that affect risk for Future Fiber Networks and its subsidiaries. The Board will focus on the following:

1. Ensure that policies and procedures are developed consistent with Future Fiber Networks' strategy and risk appetite.

2. Consider Sustainability factors in evaluating risk and ensure decisions impacting sustainability-related risks, including, but not limited to, ESG factors (Environmental, Social, and Governance), are in alignment with Future Fiber Networks' risk appetite.

3. Review Future Fiber Networks' implementation of the risk management policies and procedures to ensure that they result in the desired outcome. The Board will ensure that risk policies and procedures remain appropriate and well-implemented as part of a formal annual review cycle.

4. Encourage an organizational culture of risk mitigation that fosters appropriate risk awareness, behaviors, and judgments about risk and ensures that risk-taking beyond the company's determined risk appetite is recognized, appropriately escalated, and addressed in a timely manner.

2.2 Future Fiber Networks

The Chief Operating officer (COO) of Future Fiber Networks LLC is ultimately responsible for the implementation and management of the Risk Management Policy and reports regularly to the Future Fiber Networks Board on risk in the business. They are jointly responsible for the development of policies and procedures, as well as of the implementation, risk monitoring, and mitigation actions through the Risk Registry.

The Future Fiber Networks team will:

1. be responsible for presenting to the Board the risk registry as part of the board meetings, including highlighting new risks or changes in the severity of an existing risk;

2. ensure sustainability factors are appropriately evaluated when identifying risks and developing mitigation plans;

3. assist the Board in implementing and maintaining the risk culture across all employees and suppliers; and,

4. will share the main outcomes of the risk registry on an annual basis with the main external stakeholders, prior to 30 June of each year in a dedicated session.

Future Fiber Networks or its assigned delegate(s) will:
1. Support on reporting to the Board on the risk registry;
2. Build risk-aware culture within the teams;
3. Agree upon risk management performance targets;
4. Confirm that sustainability risks are included in the risk registry and risk monitoring processes of service partners;
5. Ensure implementation of risk improvement recommendations; and
6. Identify and report changed circumstances / risks.

Risk Management responsibilities for internal and outsourced employees:
1. Understand, accept and implement risk management processes;

2. Report inefficient, unnecessary, or unworkable controls;
3. Report loss events and near miss incidents; and
4. Co-operate with management on incident investigations.

3. Risk Strategy

Future Fiber Networks and its investors have a low appetite for risk and understand the importance of risk management for the performance of the company. The key objective of the risk strategy is to protect and build the performance of the business, following best market practices, environmental regulation and guaranteeing the health and safety of all its employees.

3.1 Types of Risks Faced by the Project Companies

Risk is the effect of uncertainty on the achievement of Future Fiber Networks objectives and is measured in terms of likelihood, and impacts. Future Fiber Networks identify risk as events that may have negative influence on the operation or on the company.

By establishing the Risk Management Policy, the company will be able to understand, monitor and mitigate risks to which it is exposed.

The main type of risks that Future Fiber Networks face have been identified fall in the following categories:

- Operational Risks
- Technological Risks
- Cyber Risks
- Environmental Risks
- Health and Safety Risks
- Regulatory Risks
- Financial Risks
- Market Risks
- External Factors Risks (i.e., War, natural disasters, sabotage, personnel rotation
- Social / Community relations Risks (Public and EMP Opinion)
- Construction Risks
- Sustainability (incl ESG)
- Management
- Insurance
- Planning and Permitting
- Procurement
- Project Management

4. Risk Protocols

The risk protocols identify the risks Future Fiber Networks is exposed to and put in place actions to mitigate and monitor them.

The figure below shows the risk management process followed by the project companies. The risk management process is a live process with constant input from the different stakeholders:
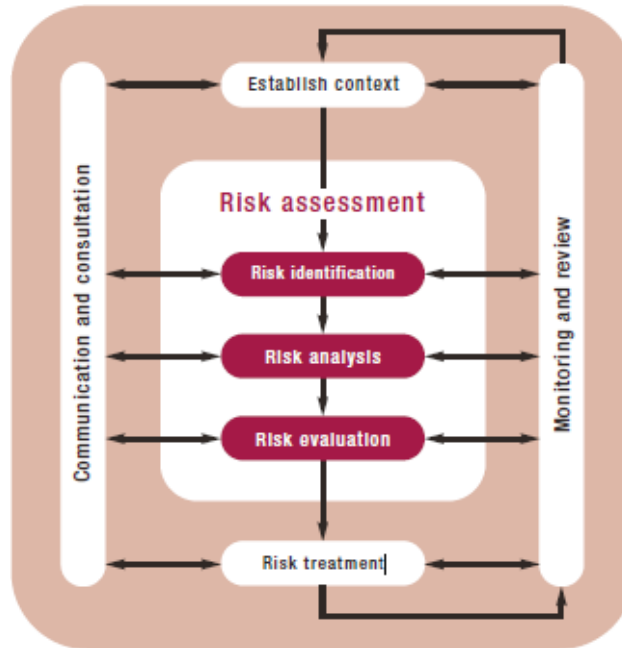
4.1 Risk Process

Risk Assessment:

The company and its service partners have in place procedures for the assessment of the different risks which include identification, analysis, and evaluation. Risks will be identified and scored based on qualitative analysis of unplanned events.

Risk identification and analysis establishes the exposure of a project company to risk and uncertainty. This requires an intimate knowledge of the organization, the market in which it operates, the legal, social, political, and cultural environment in which it exists, as well as an understanding of its strategic and operational objectives.

Each risk is evaluated to understand the probability of occurrence and the impact in the business. The evaluation criteria will be explained in section 4.2 Risk Registry.

Communication and consultation

The risk registry will be included in every board meeting pack. Updates on risks will be highlighted to the Board and/or stakeholders during the monitoring of the risk or the mitigation process.

Monitoring and Review

As part of the risk management process, all the risks identified will be monitored and reviewed as per the impact and likelihood of each of them. Monitoring and reviewing may result on a risk registry

update and immediate communication to the Board in those cases where the likelihood or impact is high.

4.2 Risk Registry

The risk registry will include a list of all the risks identified by the project team and wider stakeholders. It will include the likelihood of each risk arising as well as the potential impact. Each risk will have corresponding mitigation actions and/or monitoring procedures. The Board may identify risks that will require additional reporting, depending on severity of impact. The risk registry will be updated and presented to the Board of Directors at every board meeting and any changes adopted and recorded by the Board.

Risk Template

An example format can be seen in the following image:

Reference	ProjectCo	Risk Type	Risk Description	Consequence	Risk Control Measures in Place	Likelihood	Consequence	Impact Rating	Risk Level	Movement Since Last Update	Status	Further Risk Control Measures Required	Owner
FFN01	Palmdale	Finance				2	2	4	Low		Monitor		
FFN02	Oceanside	Finance				2	2	4	Low		Monitor		
FFN03	Escondido	Procurement				2	4	8	Medium		Mitigate		
FFN04		Technical				2	4	8	Medium		Monitor		
FFN05		Finance				2	4	8	Medium		Monitor		
FFN06		Finance				2	4	8	Medium		Monitor		
FFN07		Finance				3	3	9	Medium		Monitor		
FFN08		Finance				3	3	9	Medium		Monitor		

The following defines the Risk Register columns:

Registry Item	Description
Ref. no	Risk number
ProjectCo	Name of the Project
Risk Status	Finance, Insurance, Procurement, Technical, Permits, Construction, Operations, Organisation, Schedule, Mobilisation, Health & Safety
Risk Description	Description of the identified risk
Consequence	Detailed description of what could happen if the risk were to materialize

Risk Control Measures	Detailed description of the controls/mitigations currently in place to minimize the risk from occurring or the impact of the risk if it were to occur
Likelihood	Probability of the risk to occur
Consequence	Impact if the risk were to occur
Impact Rating	Overall score of the identified risk
Risk Level	Whether the risk is a high, medium or low risk
Movement Since Last Update	Whether the risk scoring has increased, decreased or remained steady since the last review
Risk Response	Avoid, Transfer, Mitigate, Accept, or Monitor
Further Risk Control Measures	Detailed description of the further controls/mitigations to be put in place by the owner
Owner	Named individual accountable for the risk and delivery of the associated control measures

4.3 Risk Response

Risk handling involves developing specific, discrete responses to address each risk and reduce overall project uncertainty. If the identified risks are unacceptable, seek ways of preventing or reducing those risks and create fallback plans. In some cases, risks can be eliminated while other risks are completely external to the project, presenting little scope for reduction.

Risk Response	Description
Avoid	Remove the risk, usually by eliminating the cause
Transfer	Allocate the risk to others through contracts or insurance
Mitigate	Reduce the risk probability, risk impact, or both
Accept	Accept the possible consequences of the risk; absorb within project allowances, or fund specific risks separately.
Monitor	A monitored risk falls between the Accept and Mitigate response, it may not require a mitigation plan based on the risk rating but requires more frequent review.

Risk Evaluation

The risk evaluation is a very important step in the process to understand how the different risks are affecting the organization. Each risk will have a probability and an impact score. The scoring criteria is detailed below.
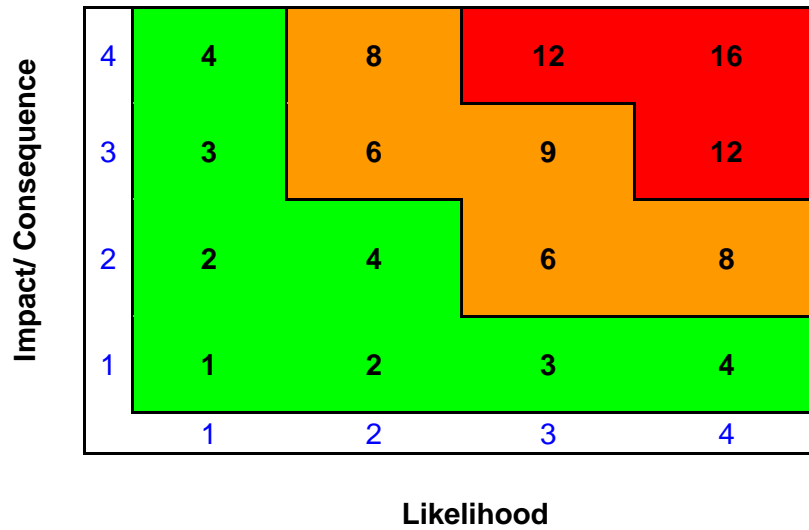
Risk Level		**Proposed Action**
High Risk	🟥	Risk unacceptable, resolution or alternative approach required.
Medium Risk	🟧	Risk acceptable only where all alternative approaches have been exhausted
Low Risk	🟩	No Further Action

Likelihood

A risk's impact is similarly expressed using as a 1-4 score as shown below. The principle impacts are for cost and time and the risk scores equate to bands of cost and time impact. Additional impact scores can be used as appropriate, for example quality, reputation, legal. Risks are scored according to their 'current' likelihood and impact, i.e. the team's opinion of the likelihood of occurrence and what the impact will be based on what is known now.

Likelihood

1	<25%
2	<50%
3	<75%
4	100%

Impact/ Consequence

Rating	Cost to Project/ Department £000's	Time impact on Project/ Department	Damage to Public Image/ Client Perception
1	<5	<1 week	Concerning
2	<15	<2 weeks	Serious
3	<50	<3 weeks	Very Serious
4	<100	<6 weeks	Disastrous